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TAGS: [EFIN](#) [ECON](#) [PREL](#) [PTER](#) [MU](#)
SUBJECT: OMAN CLOSE TO ESTABLISHING FIU, IMPLEMENTING
TERROR FINANCING LAW

REF: MUSCAT 12

Classified By: Ambassador Gary A. Grappo for Reasons 1.4 (b and d)

Summary

¶1. (SBU) Oman continues to move closer toward the formal establishment of a Financial Intelligence Unit (FIU) and the promulgation of a new "Law to Combat Terrorism Financing." Both initiatives are part of the government's broader efforts to strengthen its anti-money laundering and counter-terrorism regime, as well as to prepare for an eventual MENA-FATF evaluation. The private sector has taken note of these efforts by promoting "know your customer" policies, providing training to employees, and evaluating more effective transaction monitoring software programs. End Summary.

Closer on FIU

¶2. (C) On November 10, Econoff discussed Oman's progress in establishing a formal Financial Intelligence Unit (FIU) with Royal Oman Police (ROP) Economic Crimes Unit chief Colonel Moshin Muqaddam. Muqaddam stated that the government intends to set up an FIU within the ROP to provide the entity with greater authority, and that the memo approving its creation would be finished in two to three months' time. With the creation of a formal FIU, he predicted that Oman would quickly apply for Egmont Group membership. Muqaddam also believed that his unit would benefit from the FIU in terms of additional resources to support his staff of 13. He further reiterated his interest in having closer relations with USG officials in terms of technical assistance programs, and welcomed a potential visit from Treasury.

Counter-Terror Financing Law in Draft

¶3. (SBU) Econoff more recently discussed Central Bank of Oman (CBO) anti-money laundering initiatives with Malik al-Mahruqi, Director General of Business Development and member of the National Committee for Combating Terrorist Finance ("National Committee"). Marooqi commented that the CBO was moving forward on actions to strengthen its ability to fight terrorist financing in Oman. To improve upon money laundering regulations currently in place, Mahruqi stated that the government was finalizing a draft "Law to Combat Terrorist Financing." This legislation, according to Mahruqi, would incorporate eight FATF recommendations.

¶4. (SBU) Mahruqi continued that the government was also keen on promoting the Omani Program for Anti-Money Laundering (OPFAM). Since its inception in 2006, OPFAM has delivered two anti-money laundering workshops to public and private sector officials. He remarked that OPFAM, once a Central Bank initiative, is now under the auspices of the National Committee in order to accommodate other sectors of the economy susceptible to money laundering, such as those regulated by the Capital Market Authority (insurance) and the Ministry of Housing (real estate).

¶5. (C) Econoff inquired about the Central Bank's stance on transaction with Iran. Mahruqi replied that the CBO closely monitors the two Iranian banks with branch offices in Oman to ensure that they are in full compliance with all pertinent rules and regulations. He added that the Central Bank has not detected any unusual transaction involving either Iranian bank.

Private Sector Perspective

¶6. (SBU) Econoff also recently discussed private sector banking initiatives with National Bank of Oman compliance officer Hussein Ali Habib. Habib noted that the role and activities of his office had expanded considerably over the past year, a result of pressure from the CBO. From a compliance perspective, he stated that his office has grown from a "unit" to a full-fledged compliance office. Habib recounted that in 2007, his office has rolled out a number of compliance efforts system-wide, including an education and awareness training session for 55 of his bank's branches. Under this electronic program, bank employees were tested on the 40 recommendations provided by FATF.

¶7. (C) Habib mentioned that even with the training program, his bank had a "ways to go" on effectively monitoring all of the bank's transactions. Of primary importance is the introduction of transaction monitoring software, which was now being required of all banks by the Central Bank. While likely to incur considerable expense in loading such a system on to the bank's mainframe, Habib was hopeful that it would be ready by the end of 2008. In anticipation of the introduction of a system, Habib said that the bank had prepared standard operating procedures for monitoring transactions.

¶8. (C) Regarding the challenges faced by the banking sector, Habib expressed concern that while regulations being rolled out by the Central Bank were comprehensive, they were unevenly enforced. He cautioned that his bank is being placed at a competitive disadvantage compared to other financial institutions who were not as stringent in implementing CBO directives. Habib explained that since Omani society was not conducive to "know your customer" programs, potential clients might consider more closely informal lending societies, which evaded the stringent regulations of the Central Bank. On the positive side, he mentioned greater communication between the bank and CBO and ROP officials related to suspicious transaction reports (STR), as well as the move by the Central Bank to lower threshold amounts for STRs to \$10,000, in line with U.S. and UK standards.

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